

RESIDENT CREDIT FOR TAX IMPOSED BY A CANADIAN PROVINCE

Issued under P.A. 281 of 1967. Filing is voluntary.

For Tax Year

1999

Name(s) as shown on your MI-1040

Social Security Number

Address, City, State and ZIP

Spouse's Social Security Number

PART 1 CONVERSION OF CANADIAN WAGES AND TAXES TO UNITED STATES CURRENCY

1. Canadian income taxed by Michigan 1. _____
2. Fringe benefits included in Box 14 of the T-4, not taxable in U.S.A. 2. _____
3. Subtract line 2 from line 1 3. _____
4. Multiply line 3 by the annualized conversion rate of 67.30% (.6730) (see inst.) 4. _____
5. Total Canadian income from line 150 of your Canadian income tax return 5. _____
6. Multiply line 5 by the conversion rate of 67.30% (.6730) 6. _____
7. Divide line 4 by line 6 (percentage of Canadian income taxed by Michigan to total Canadian income) 7. _____ %
8. Multiply the Canadian federal tax (line 420 of Canadian return) \$ _____ by the conversion rate of 67.30% (.6730) 8. _____
9. Multiply line 8 by line 7 9. _____
10. Multiply the provincial tax (line 428 of Canadian return) \$ _____ by the conversion rate of 67.30% (.6730) 10. _____
11. Multiply line 10 by line 7 11. _____
12. Contribution to Canadian Pension Plan from T-4, Boxes 16 and 17 12. _____
13. Multiply line 12 by the conversion rate of 67.30% (.6730) 13. _____

PART 2 COMPUTATION OF MICHIGAN TAX

14. Adjusted gross income from MI-1040, line 10 14. _____
15. Canadian income taxed by Michigan from line 4, above 15. _____
16. U.S. adjustments to Canadian wages (from U.S. 1040 lines 23 -31a) 16. _____
17. Subtract line 16 from line 15 17. _____
18. Subtract line 17 from line 14 for Michigan source income 18. _____
19. Additions from MI-1040, line 11 19. _____
20. Add lines 17, 18 and 19 20. _____
21. Subtractions from MI-1040, line 13 21. _____
22. Subtract line 21 from line 20 for income subject to tax 22. _____
23. Divide line 17 by line 22 for percentage of Canadian income to total income subject to tax 23. _____ %
24. Exemption allowance from MI-1040, line 15 24. _____
25. Subtract line 24 from line 22 for taxable income 25. _____
26. Multiply line 25 by the Michigan tax rate of 4.4% (.044) 26. _____

PART 3 ALLOWABLE CREDIT FOR TAX PAID CANADIAN PROVINCE

27. Multiply line 26 by line 23 for Michigan tax on Canadian province income 27. _____
28. Add lines 9, 11 and 13 for total tax paid in Canada 28. _____
29. Adjustments to credit claimed on U.S. 1040:
 - 29a. Canadian portion of credit claimed on U.S. 1040, line 46 29a. _____
 - 29b. Canadian income taxed by Michigan from all U.S. 1116 forms 29b. _____
 - 29c. Gross Canadian income from all U.S. 1116 forms 29c. _____
 - 29d. Divide line 29b by line 29c and enter percentage 29d. _____ %
 - 29e. Multiply line 29a by line 29d for adjusted amount claimed on U.S. 1040 29e. _____
30. Subtract line 29e from line 28 for amount available for credit on MI-1040 30. _____
31. Canadian provincial tax from line 11. Enter here and on form MI-1040, line 23a 31. _____
32. Credit for tax paid Canadian province (lesser of lines 27, 30 or 31). Enter here and on form MI-1040, line 23b 32. _____

ATTACH THIS FORM TO YOUR MI-1040 RETURN

Instructions for Resident Credit for Tax Imposed by a Canadian Province

Before you start, you will need your U.S. 1040, all U.S. 1116 forms, *Canadian Federal Individual Income Tax Return* and Canadian form T-4. Attach copies of all of these forms to your MI-1040 return.

Who may claim this credit

To qualify for a credit using this form, you must:

- 1) be a Michigan resident or part-year Michigan resident,
- 2) have income that was subject to income tax by both Michigan and a Canadian province,
AND
- 3) file a Canadian return which shows provincial tax paid.

NOTE: The surtax for individuals who are not residents of Canada may not be used to compute a Michigan tax credit. If your Canadian return submitted with your MI-1040 return does not show provincial tax, you do not qualify for a Michigan tax credit.

Credit computation

The maximum credit for tax imposed by a Canadian province is the smaller of:

- Michigan tax due on the Canadian income, OR
- The provincial tax you did not claim for credit on your U.S. 1040.

Credit is not allowed for:

- Canadian provincial tax unused in prior years but carried over to your 1999 U.S. 1116.
- Canadian provincial tax unused in 1999 and claimed as a carryover deduction to future years.
- Taxes paid on income subtracted on line 13 of your MI-1040 (i.e. rental or business income from another state or Canada, part-year resident wages, etc.).

If you reduce your U.S. income tax by a carryover of provincial tax, you must amend your prior year Michigan income tax return to reduce the credit computed on that year's return.

Conversion rate

The conversion rate used on this form for the 1999 tax year is the annualized conversion rate of 67.30% (.6730).

If you used a conversion rate on your U.S. 1116 other than 67.30%, substitute the rate you used in Part 1 of this form.

Line-by-Line Instructions

Lines not listed are explained on the form.

Line 1: Enter your Canadian income taxable by Michigan. This includes, but is not limited to, salaries, wages, commissions and other employment income.

Part-year residents: This line must be only the portion of income earned as a Michigan resident.

Line 2: If box 14 of Canadian T-4 includes fringe benefits that are also included in U.S. adjusted gross income (AGI), reduce the amount in box 14 by the amount included in AGI on your U.S. 1040. Note: This reduction must be accompanied by verification from your employer.

Line 12: Enter contributions to a Canadian Pension Plan from boxes 16 and 17 on the Canadian T-4 (maximum \$1,068.80) or from line 421 of the Canadian return.

Part-year residents must prorate the amount on this line. Divide Canadian salaries and wages earned as a Michigan resident by total Canadian salaries and wages earned. Then multiply the total contribution from boxes 16 and 17 by the resulting percentage.

Line 13: Multiply line 12 by 67.30% (.6730) and enter the result.

Line 15: Enter your Canadian income from line 4.

Note: Interest and dividends from Canada received by a Michigan resident are taxable by Michigan as Michigan source income.

Line 29a: Enter the portion of the foreign tax credit attributable to Canada you claimed on your U.S. 1040, line 46. Your credit amount must be reduced by any carryover of unused provincial tax included on any U.S. 1116. Your credit amount must also be reduced by any unused provincial tax that is being carried forward to reduce federal taxes in future years.